

**CURRENT STATUS OF THE CLAIMS**

Please cancel claims 1-2, 5-6, 12, 14 and 19 and amend claims 11, 13, 16 and 21-24 as shown in the following set of all claims pending in the present invention:

Claims 1-2. (Canceled).

Claim 3. (~~Previously~~ Canceled).

Claim 4. (~~Previously~~ Canceled).

Claims 5-6. (Canceled).

Claims 7-10. (~~Previously~~ Canceled).

Claim 11. (Currently amended) A method of conducting a lottery comprising the steps of:

(1) determining a cutoff point for said lottery, said cutoff point comprising a prize value amount separating a large payout amount from a small payout amount, wherein said large payout amount is an amount payable in full to non-payout insured, winning ticket purchasers by way of payments paid during a payment period lasting longer than one year, and wherein said small payout amount is an amount payable in full in a single lump sum payment;

(2) immediately paying in full said small payout amount to a winner of said small payout amount;

(3) immediately paying in full said large payout amount to a payout insured winning ticket purchaser; and

(4) immediately paying an amount equal to at least a portion of the winning ticket purchaser's taxes due to a purchaser of a tax insured winning ticket.

Claim 12. (Canceled)

Claim 13. (Currently Amended) A method of conducting a lottery comprising the steps of:

(1) distributing lottery tickets to lottery participants for a lottery game, said tickets including tax insured tickets and non- tax insured tickets;

(2) determining whether a particular ticket is a paying ticket for the lottery game;

(3) paying the award amount plus an additional amount equal to at least a portion of the taxes payable on the award amount if the paying ticket is tax insured; [and]

(4) paying the award amount without an additional amount for taxes if the paying ticket is non- tax insured; and

(5) immediately paying at least the full award amount if the paying ticket is payout insured, regardless of the award amount.

Claim 14. (Canceled).

Claim 15. (~~Previously~~ Canceled).

Claim 16. (Currently Amended) A method of conducting a lottery comprising the steps of:

(1) selling payout-insured and non-payout insured lottery tickets for a lottery game in which ticket purchasers select at least one number combination for each lottery ticket purchased and for which a prize cutoff point is established, said cutoff point comprising a prize value amount separating a large payout amount from a small payout amount, wherein said large payout amount is an amount payable in full to non-payout insured, winning ticket purchasers by way of payments paid during a payment period lasting longer than one year, and wherein said small payout amount is an amount payable in full in a single lump sum payment; [and]

(2) immediately paying in full to a holder of a payout-insured paying lottery ticket regardless of whether the paying lottery ticket is entitled to a large payout amount or a small payout amount;

(3) selling tax-insured and non-tax insured lottery tickets for the lottery game;

(4) awarding to a holder of a tax-insured paying ticket an amount equal to the prize amount plus an amount equal to at least a portion of the taxes for the prize; and

(5) awarding to a holder of a non-tax-insured paying ticket an amount equal to the prize amount without any additional amount for taxes.

*presented*  
Claim 17. (Previously ~~Added~~) The method of claim 16, wherein the full award amount is paid to the holder of the payout-insured paying lottery ticket regardless of the number of participants in the lottery.

*presented*  
Claim 18. (Previously ~~Added~~) The method of claim 16, wherein purchasers select at least one number combination for each lottery ticket purchased.

Claim 19. (Canceled).

*presented*  
Claim 20. (Previously ~~Added~~) The method of claim 16, further including the step of offering a payout insurance upgrade for sale at a payout insurance upgrade price to a purchaser of a non-insured lottery ticket, said payout insurance upgrade converting said non-insured lottery ticket to a payout insured lottery ticket.

Claim 21. (Currently Amended) The method of claim [19] 16, further including the step of offering a tax insurance upgrade for sale at a tax insurance upgrade price to a purchaser of a payout insured lottery ticket, said tax insurance upgrade converting said payout insured lottery ticket to a tax and payout insured lottery ticket.

Claim 22. (Currently Amended) The method of claim [19] 16, further including the step of offering a tax insurance upgrade for sale at a tax insurance upgrade price to a purchaser of a non-

tax insured lottery ticket, said tax insurance upgrade converting said non-tax insured lottery ticket to a tax insured lottery ticket.

Claim 23. (Currently Amended) [The method of claim 13, further including the step of] A method of conducting a lottery comprising the steps of:

(1) distributing lottery tickets to lottery participants for a lottery game, said tickets including tax insured tickets and non-tax insured tickets;

(2) determining whether a particular ticket is a paying ticket for the lottery game;

(3) paying the award amount plus an additional amount equal to at least a portion of the taxes payable on the award amount if the paying ticket is tax insured;

(4) paying the award amount without an additional amount for taxes if the paying ticket is non-tax insured; and

(5) offering a payout insurance upgrade for sale at a payout insurance upgrade price to a purchaser of a non-tax insured lottery ticket, said payout insurance upgrade converting said non-tax insured lottery ticket to a payout insured lottery ticket.

*Currently amended*  
~~Previously Added~~  
Claim 24. (Previously Added) [The method of claim 13 further including the step of] A method of conducting a lottery comprising the steps of:

(1) distributing lottery tickets to lottery participants for a lottery game, said tickets including tax insured tickets and non-tax insured tickets;

(2) determining whether a particular ticket is a paying ticket for the lottery game;

(3) paying the award amount plus an additional amount equal to at least a portion of the taxes payable on the award amount if the paying ticket is tax insured;

(4) paying the award amount without an additional amount for taxes if the paying ticket is non-tax insured; and

(5) offering a payout insurance upgrade for sale at a payout insurance upgrade price to a purchaser of a tax insured lottery ticket, said payout insurance upgrade converting said tax insured lottery ticket to a tax and payout insured lottery ticket.

Claim 25. (Previously <sup>presented</sup> ~~Added~~) The method of claim 13, further including the step of offering a tax insurance upgrade for sale at a tax insurance upgrade price to a purchaser of a non-tax insured lottery ticket, said tax insurance upgrade converting said non-tax insured lottery ticket to a tax insured lottery ticket.